Effect of anti-money laundering norms on rural insurance

2194. SHRI C. PERUMAL: Will the Minister of FINANCE be pleased to state:

(a) whether anti-money laundering norms hit rural insurance;

(b) if so, the reasons therefor; and

(c) the action taken to rectify the problem areas?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Anti-money Laundering (AML) guidelines to insurers were issued by the Insurance Regulatory & Development Authority (IRDA) (effective from 1st August, 2006 in the case of life insurance companies and 1st January, 2007 in the case of non-life insurance companies) to ensure compliance with "The Prevention of Money Laundering Act, 2002". These guidelines are applicable to all the products of both life and general insurance industry except for the exempted products specifically given out in the guidelines *i.e.* Standalone Medical/Health Insurance products, Group Insurance business and Term Life Insurance contracts. IRDA has further reported that it has not received any feed back on the impact of these guidelines on rural insurance. However, it does not envisage any adverse effect of these guidelines on rural insurance.

Increase in volume of priority sector lending

2195. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether Government/RBI are contemplating to increase the volume of priority sector lending by Banks;

(b) if so, whether such enhancement would be uniform for all borrowers falling under the priority sector category or for farmers only;

(c) by when the proposed guidelines for priority sector lending are expected to be enforced; and

(d) the outstanding volume of loans disbursed under priority sector as on 30th September, 2006 and the volume of additional loans estimated to be disbursed under the proposed guidelines annually over the next two years?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (d) The existing guidelines of the Reserve Bank of India (RBI) stipulate a target of 40% of Net Bank Credit (NBC) for lending to the priority sector by domestic scheduled commercial banks both in the public and private sector. Within this, sub-targets of 18% and 10% of NBC have been stipulated for lending to agriculture and weaker sections, respectively.

Consequent upon the announcement made in the RBI's Annual Policy Statement for the year 2005-06, an Internal Working Group was set up in the RBI to examine the need for continuance of priority sector lending prescriptions, review the existing policy on priority sector lending, including the segments constituting the priority sector, targets and sub-targets, etc. and to recommend changes, if any, required in this regard. The draft Technical Paper submitted by the Group was placed on the RBI's website on September 30, 2005 for wider dissemination and comments. Based on the feedback received from the banks, financial institutions and other concerned institutions/agencies, the RBI has formulated revised draft guidelines on lending to priority sector and placed it on its website on November 8, 2006 for inviting further comments. RBI has also reported that there is no deadline set for implementing the revised draft guidelines.

Government has also recently finalized a new "Prime Minister's 15-Point Programme for the Welfare of Minorities". One of the objectives of the Programme is to ensure that an appropriate percentage of the credit is targeted for the minority communities. The RBI has accordingly advised all Scheduled Commercial Banks and the Urban Co-operative Banks (UCBs) to issue necessary instructions to their branch offices to ensure that within the overall target for priority sector lending and the sub-target for weaker sections, sufficient care is taken to ensure that the minority communities also receive an equitable portion of the credit.

As reported by the Reserve Bank of India (RBI), the outstanding amount of loans to priority sector by the scheduled commercial banks, as at the end of March 2006 is Rs. 547394 crores (latest available).